

DEFENSE LOGISTICS AGENCY

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IN REPLY REFER TO DCMC-0

OCT 20 1999

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)

PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)

DIRECTOR, DEFENSE PROCUREMENT

DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)

DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
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DEVELOPMENT AND ACQUISITION)

ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)

ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR BALLISTIC MISSILE DEFENSE ORGANIZATION
THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

10125195

SUBJECT: Single Process Initiative (SPI) Quarterly Report, July 1, 1999 – September 30, 1999

Forwarded for your information is the SPI Quarterly Report for the fourth quarter of FY99. This report features SPI Executive Council activities, Raytheon Systems Company Customer Council meeting, Boeing Joint Leadership Council Meeting, AlliedSignal Joint Corporate Customer Council Meeting, Northrop Grumman Corporate Joint Management Council Meeting, Top Ten Cost Reducers, Lockheed Martin Aeronautics Sector Enterprise Resource Planning Supplier Alliance Meeting, and SPI activity statistics. Additional data is available for viewing on our home page (http://www.dcmc.hq.dla.mil).

Beginning FY 2000, SPI activity will be reported on a quarterly basis.

If you have any questions or concerns regarding information in the report, please contact Ms. Stephanie Strohbeck, **SPI/Block** Change Management Team Leader at (703) 767-2471.

TIMOTHY P. MALISHENKO

Major General, USAF

Commander

Attachment

cc:

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Single Process Initiative (SPI) Quarterly Report July 1, 1999 --- September 30, 1999

SPI Executive Council Meeting

- Held on September 17, 1999, with DUSD(AR) delivering opening remarks
- Ms. Barbara Foss-Fischer, DCMC, presented the recommendations from the SPI Workshop held during July 19-21, 1999.
 - The four over-arching themes of the recommendations were:
 - Policy -- recommendations included expanding consideration to include long-term benefits and developing an expedited process for regulatory/statutory SPI proposals
 - Communication, outreach and training -- recommendations identified alternate approaches for small companies and emphasized information sharing
 - Empowerment and recognition -- recommendations recognized the need for consistent empowerment of Component Team Leaders.
 - Senior level support -- recommendations centered on the potential benefits from visible senior level advocacy of industry and Government principals
 - The Council endorsed the recommendations
- Ms. Jill Pettibone, DCMC, presented the outbrief of the Commercial Designations Integrated Process Team (IPT)
 - Commercial Designations IPT analyzed data from 14 Federal Supply Classes and canvassed industry associations
 - Reasons Part 12 was not being used included:
 - Misunderstandings
 - Orders pre-dating Part 12
 - Contract type (particularly Time & Materials)
 - Market research lacks thoroughness and consistency
 - Lack of goals and incentives.
 - The Army agreed to lead a follow-on Rapid Improvement Team (RIT) to focus on an additional 28 Federal Supply Classes
- Ms. Jill Pettibone, DCMC, also presented an update on the Supplier Alliance Program
 - 4 of 5 pilot sites identified
 - AlliedSignal -- focus on quality assurance
 - Goodyear -- focus on delivery surveillance and payment
 - Rockwell-Collins -- focus on lean initiatives
 - Lockheed Martin Aeronautics Sector -- focus on enterprise resource planning
 - Fifth pilot will be selected shortly
- Mr. Bill Mounts, ODUSD(AR) and Mr. Bill Kenny, DLSC, presented a briefing on the DLA/AlliedSignal RIT
 - Goal is to improve "return on relationship" for both DoD and key suppliers

- DLA/AlliedSignal chosen as pilot to test concept and generate results
- Roll-up of results will be provided quarterly
- Mr. Bill Mounts, ODUSD(AR), also provided an update on the Packaging Pilot Program
 - Pilots implemented at GE and AlliedSignal in May 1999
 - Preliminary results -- reductions in cycle time and costs
- Next meeting -- December 10, 1999

Raytheon Systems Company Customer Council Meeting

- Raytheon Systems Company (RSC) Customer Council meeting held on September 22,
 1999 at RSC Corporate Headquarters in Lexington, MA
- COL Bryon Young, DCMC Raytheon Commander, and Ms. Linda Rusk, RSC, presented an overview of the council's initiatives
 - Strategic Supplier Alliances
 - DCMC's newest tool for achieving Civil Military Integration
 - A business agreement outside of the contract that supports current and future buys
 - Basic concept, approach, and pilot program have been approved
 - Existing infrastructure (Corporate and local Management Councils) will be used for deployment
 - Four of Five Pilots Identified
 - AlliedSignal -- Focus on Quality Assurance
 - Goodyear -- Focus on Delivery Surveillance & Payment
 - Rockwell-Collins -- Focus on Lean Initiatives
 - Lockheed Martin Aeronautics Sector -- Focus on Enterprise Resource Planning
 - Raytheon -- interested in concept, focus not yet determined
 - Raytheon Restructuring
 - Phase I
 - Proposals submitted, audited, and negotiated
 - DCMC Board of Review targeted for mid-October, 1999
 - Targeted for certification by end of October, 1999 followed by execution of advance agreement
 - FPRAs have been adjusted to give effect to negotiated cost and savings
 - Phase II
 - Initial proposal efforts underway
 - Six Sigma Program
 - Business strategy to define Raytheon's culture and how it operates
 - Focused on customer satisfaction, productivity, growth, and shareholder value
 - Lean thinking

- Traditional six sigma (defect/variability reduction)
- Integrated business strategy involving customers, tools, and culture
- Establish Raytheon as one of world's most admired companies
- Capability Maturity Model (CMM) Based Insight
 - DCMC Software CAS Mission
 - Evaluate for adequacy and perform surveillance of contractor software development processes
 - Perform surveillance to assess compliance with schedule, cost, and technical performance
 - On-site Government assistance
 - Software CMM is the de facto standard for software process
 - CMM Based insight:
 - Is a continuous evaluation method based on the Software CMM
 - Puts DCMC process data in common language
 - Provides data that is shared with the contractor and program office
 - Target for CMM based insight deployment Command-wide is July 2000
- Customer Satisfaction Survey
 - Raytheon's 1999 survey process launched
 - 1999 survey objectives
 - Provide feedback on:
 - Customer relationship to Raytheon segments
 - Customer's overall level of satisfaction
 - Supplier performance (technical, schedule, affordability, management/business relationship)
 - Obtain data to enable segments and functions to generate customer satisfaction improvement plans
 - For domestic customers, compare results from previous year
 - For international customers, establish a benchmark
 - Disseminate surveys October/November 1999 with 30-day turnaround
 - Supplier collects and analyzes results in January 2000
 - Outbrief results beginning 1st Quarter 2000 with objective of segments targeting key customer issues areas and generating improvement plans
- Integrated System Surveillance
 - A DCMC joint venture initiative with DCAA and RSC to create a fully integrated risk based key process assessment plan
 - IPTs proposed for progress payments, MMAS, EVMS, and past performance
 - Identify regulatory, contractual, and agency requirements
 - Establish communications network
 - Schedule assessments
 - Develop report format

- Reduce level of reviews
- Single Process Initiative (SPI) Concept Paper Update
 - Paints and Topcoat
 - Accepted by Management Councils
 - MOU written will be signed by CACO when finalized
 - Earned Value Management System (EVMS)
 - Accepted by Management Councils
 - Draft MOU being reviewed by legal
- SPI Overview
 - RSC Printed Wiring Board SPI
 - Objective is to convert governance to MIL-PRF-31032 (Manufacturing) and IPC design guides (Design Engineering)
 - Final concept paper forwarded to CTLs
 - Next steps obtain CTL concurrence from all segments and execute block change/implement
 - RSC Hybrid SPI
 - Objective was to convert governance to MIL-PRF-38534
 - IPT determined that SPI was not needed
 - RSC Calibration SPI
 - Objective was to convert governance to ANSI/NCSL Z450-1-1994
 - Determined that SPI was not needed
 - Potential Fusion Welding SPI
 - Objective is to convert governance to industry standards
 - New standards being finalized
 - Potential Spot Welding SPI
 - Objective is to permit continuous monitoring, replacing need for coupons
 - Drafting concept paper and white paper
- RSC Logistics Business Council
 - A brief presentation was given on the council's three initiatives, which are listed below:
 - Introducing efficiencies
 - Enhanced Processes
 - Enhanced customer service

Boeing Joint Leadership Council Meeting

 Boeing Joint Leadership Council (JLC) meeting was held in Seattle, WA, on August 11, 1999. DCMC Headquarters participated in the meeting. Some of the topics addressed/ discussed at the meeting were:

- Boeing Restructuring Proposal
 - 1st Proposal submitted August 4, 1999. Certification expected in November 1999
 - 2nd Proposal expected to be submitted in April 2000, and probably a 3rd proposal at a later date
 - Over \$2.3B in savings have been identified to date using IPT and Alpha contracting approach in preparing the proposals

• CMI

- C-17 CMI Program
 - Presentation given on C-17 CMI Pilot. CMI White Paper is undergoing a SAF/AQ staff summary review
 - C-17 summary status has been developed, encompassing major functional areas such as quality, flight operations/acceptance flights and logistics, in order to determine if the functional areas can be improved to commercial practice standards
 - Boeing JLC discussed the need to leverage CMI experiences from the C-17 to other programs
- Evolved Expendable Launch Vehicle (EELV) Program
 - Briefed EELV program and how it differs from previous launch vehicle programs
 - Essentially, the current program places emphasis on being commercial in nature by having costs, pricing and other business factors and decisions being market driven or market oriented
- Commercial Airplane Business
 - Discussed how the company can do military work in their commercial facility without disrupting commercial operations
 - Boeing's Washington office is working to define the added costs due to export requirements, which are military in nature
- Memorandum of Agreement (MOA)
 - Presented and discussed proposed MOA. Purpose of MOA is to enable facilities consolidation and overhead reduction goals. There is urgency in getting the MOA in place. The MOA will cover transactions between Boeing Commercial Aircraft group and other divisions of Boeing
- Boeing JLC Success Measures
 - JLC decided that a few members of JLC should develop and present, at the next JLC meeting, their recommendations for JLC success measures

AlliedSignal Joint Corporate Customer Council Meeting

- Defense Contract Management Command (DCMC) participated in AlliedSignal's (ASI)
 Joint Corporate Council (JCC) meeting, which was held in Phoenix, AZ on August 18,
 1999. Topics presented/discussed were:
 - Reorganization Update
 - Presented summary of new Aerospace Organization and anticipated outcomes from the Aerospace realignment
 - Changes in ASI's government compliance organization
 - DCMC Phoenix scheduled meeting to plan organizational changes to accommodate realignment
 - DLA/ASI Strategic Partnership Rapid Improvement Team (RIT)
 - A comprehensive summary of the background, charter, efforts, accomplishments and milestone plan leading to contract award was presented and discussed
 - During September RIT meeting, develop an action plan to ensure DCMC support in ongoing contract renewals, negotiations, and processes throughout ASI
 - Strategic Supplier Opportunity: Government Source Inspection
 - Presented a proposal to form and conduct a RIT between Government customers and ASI in the area of quality source inspections
 - Objective is to find mutually beneficial alternatives to the use of government source inspections while providing assurance that contract requirements will be consistently maintained
 - JCC gave go ahead to form RIT
 - Commercial Packaging Pilot Program
 - Briefed status of cycle reduction, warranty returns, packaging innovations underway, and packaging costs
 - Reviewed Integrated Product Team (IPT) observations at General Electric and AlliedSignal
 - Commercial Site Program
 - Briefed status of facilitating Civil Military Integration (CMI) on a facility wide basis rather than individual contracts. Facilities chosen for this effort are AlliedSignal Aircraft Landing Systems, AlliedSignal Grimes Lighting, and AlliedSignal Burbank Repair and Overhaul
 - Develop plan of action and milestones with implementation by 12/99
 - Joint metrics to measure results and track progress periodically
 - Council endorsed continuation of initiative
 - ASI SPI Program
 - Summarized results of ASI's SPI program were presented

- Decision to reinvigorate ASI SPI program
- CMI Six Sigma Greenbelt Team
 - Presented team charter, team formation and completion of preliminary steps
- Global Update of ASI Business Unit Goals and Objectives
 - Document summarizing goals & objectives of single business unit were handed out. Due to time restrictions this was not discussed
- Activity Based Management (ABM) Update and Application in the Joint Strike Fighter (JSF) program
 - Provided an update of the program and how it's being applied in target pricing of the JSF program. Program has matured and it was agreed to reactivate the ABM Steering Committee

Northrop Grumman Corporate Joint Management Council Meeting

- DCMC Headquarters participated in Northrop Grumman (NG) Corporate Joint Management Council meeting held in Arlington, VA on August 25, 1999. Some of the topics presented/discussed were:
 - Corporate Joint Management Council (CJMC)
 - This is the first CJMC meeting held
 - CJMC Purpose
 - Provide a forum and process for NG and Government customer representatives to share, coordinate, and implement best practices, acquisition reform, and process improvements to enhance customer satisfaction and resource utilization
 - Roles, Responsibilities and Expectations
 - Bring all stakeholders together to enhance communications, facilitate Acquisition Reform Initiatives, and address issues of common interest
 - Executive level participation from NG, Services, DCMC, and DCAA
 - Meet quarterly for sectors' presentation of ideas for corporate-wide application
 - Council identifies lead sector for development and implementation of corporate concept papers and helps resolve/remove implementation barriers
 - Goals and Objectives for 1999-2000
 - Establish a process for identifying and implementing potential corporate-wide
 Single Process and Acquisition Reform Initiatives
 - Review all approved concept papers at NG business units for potential corporate-wide applications

- Review approved SPI's identified in DCMC SPI web site for possible corporate-wide application
- Evaluate FAR changes (such as FAR Part 32 and Part 45) for corporatewide applications
- Establish a communication process for lessons learned (up and down)
- Update NG corporate business management classes to incorporate acquisition reform concepts
- Establish CJMC web page to exchange acquisition reform and single process initiatives across the corporation. Establish links to sector and local business unit councils to assure consistency between local, sector and corporate councils
- Volunteer for DOD CMI pilot project. Candidate project: Evaluate conversion of Arlington, TX facility to a commercial facility designation thereby qualifying for treatment under FAR Part 12; including no cost accounting standards, application of commercial pricing and more flexibility in supplier procurement
- Develop an acquisition reform checklist for NG proposals and now contracts

Top Ten SPI Cost Reducing Process Types

- Manufacturing-management is the top cost-reducing SPI process for this quarter
- Top 10 account for approximately 70% of SPI savings/cost avoidance
- Following table indicates actual and projected returns resulting from modifications implemented under SPI:

| Process Type | No. of Processes Reporting Cost Data | Combined Cost Avoidance |
|---------------------------------|--------------------------------------|-------------------------|
| - | | and Negotiated Savings |
| Manufacturing-Management | 18 | \$62M |
| Business-General* | 62 | \$50M |
| Quality-Calibration | 72 | \$50M |
| Testing | 29 | \$43M |
| Engineering-Configuration Mgmt | 70 | \$40M |
| Software | 29 | \$35M |
| Manufacturing-Soldering/Welding | 87 | \$31M |
| Logistics-Parts/Material Mgmt | 44 | \$30M |
| Manufacturing-Wiring | 9 | \$27M |
| Business-Subcontracting | 49 | \$25M |

^{*} Business-General includes processes not categorized under any other specific business process type.

Lockheed Martin Aeronautics Sector Enterprise Resource Planning (ERP) Supplier Alliance Meeting

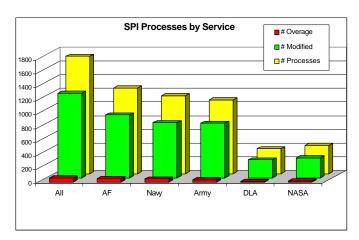
 DCMC participated in Lockheed Martin Aeronautics Sector (LMAS) ERP Supplier Alliance meeting held on September 27, 1999 in Arlington, VA

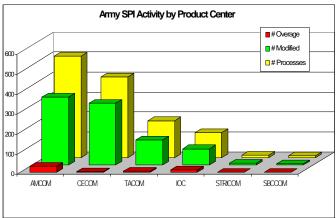
- Discussed establishing a Strategic Supplier Alliance between the Government and LMAS and addressed issues related to LMAS's ERP implementation
- Main objective for this effort to establish a Business Area Wide Government Concept of Operations Under ERP
- Rapid Improvement Team process will be used
- Strategic Supplier Alliance may be the tool for ensuring this objective is implemented
- Outcome from this effort will result in a DoD template for Government roles and responsibilities when a contractor implements an ERP system

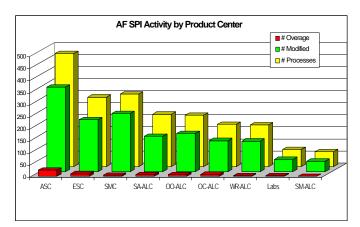
Summary

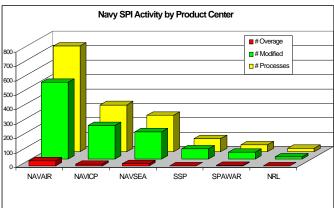
- SPI Executive Council Meeting -- promising results from Commercial Designations IPT and progress on Strategic Supplier Alliance Efforts and Commercial Packaging Pilot
- Raytheon Systems Company Customer Council Meeting -- updates on Raytheon Restructuring, Six Sigma program, Integrated System Surveillance and SPI
- Boeing Joint Leadership Council Meeting -- presentations/discussions on Boeing Restructuring Proposal, CMI and Boeing JLC Success Measures
- AlliedSignal Joint Corporate Customer Council Meeting -- presentations/discussions on Reorganization, DLA/ASI Strategic Partnership RIT, Strategic Supplier Opportunity: Government Source Inspection, Commercial Packaging Pilot Program, Commercial Site Program, SPI, CMI Six Sigma Greenbelt Team, Global Update of ASI Business Unit Goals and Objectives, and ABM Update and Application in the JSF program
- Northrop Grumman Corporate Joint Management Council Meeting -- presentations/ discussions on CJMC Purpose, Roles, Responsibilities, Expectations, Goals and Objectives for 1999-2000
- Top Ten SPI Cost Reducers -- Manufacturing Management still #1
- Lockheed Martin Aeronautics Sector Enterprise Resource Planning (ERP) Supplier Alliance Meeting -- use RIT to establish a Business Area Wide Government Concept of Operations under ERP

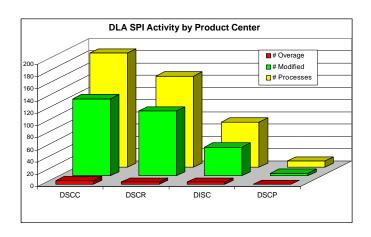
SPI Demographics By Service And Buying Office Quarterly Report, Period Ending September 30, 1999













| | Appendix B: A | s of: October 1, 199 |
|---------------------------|--|-------------------------------|
| | Contractor Facilities: | 328 |
| | Top 200 Corporation Facilities: | 169 |
| | International Facilities: | 15 |
| | Total Proposed Process Changes: | 1716 |
| | Found Technically Unacceptable: | 68 |
| | Processes Withdrawn/Disapproved: | 341 |
| | Total Block Change Modifications: | 1239 |
| | Average days from Submittal to Modification: | 142 |
| | Total Open: | 136 |
| | * Total Open Aged Over 120 days: | 59 |
| Proposal | Total Under Development/Awaiting Initial Acceptance: | 30 |
| Development (30 Days) | Total Under Development for More than 30 Days: | 29 |
| Approval | Total Under Review for Approval: | 45 |
| (60 days) | Disagreements/Problems Escalated: | 28 |
| | Total Under Review for More than 60 Days: | 26 |
| Modification | Total Awaiting Contract Modification: | 61 <i>(</i> |
| (30 days) | Total Awaiting Contract Modification for More than 30 Days: | 59 |
| Implementation Results | Amount Negotiated: | \$30,562,382 \$502,708,110 |
| * Does not | Estimated Cost Avoidance on Future Contracts: include Law/Reg Proposals, AP2I | \$505,708,119 |